



U.S. Department of Justice

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Southern District of New York*

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May 13, 2014

BY ECF AND HAND DELIVERY

The Honorable Jesse M. Furman
United States District Court
Southern District of New York
40 Foley Square, Room 2202
New York, New York 10007

Re: United States v. Alexander Katchaloff
13 Cr. 268 (JMF)

Dear Judge Furman:

The Government writes in advance of the sentencing of defendant Alexander Katchaloff, which is scheduled for May 20, 2014 at 3:00. The Government respectfully requests that the Court impose a sentence within the Stipulated Guidelines Range agreed to by the parties in the plea agreement.

The Offense Conduct

Katchaloff assisted co-defendants Dmitry Druzhinsky and Alexander Zaverukha in running a sports betting business. Specifically, Katchaloff had clients, or bettors, who placed bets with Druzhinsky's and Zaverukha's sports book. Druzhinsky and Zaverukha used internet gambling websites, including pinnaclesports.com, to take bets on sporting events from Katchaloff's clients and others, and they accepted bets that ranged in size from thousands to tens of thousands of dollars. Druzhinsky and Zaverukha were further assisted by other defendants charged in this case, including Arthur Azen, who collected gambling debts, and Illya Rozenfeld and Anatoly Shteyngrob, who took gambling proceeds from overseas bettors and distributed them to Druzhinsky in the United States.

Katchaloff was in regular contact with Zaverukha by telephone. For instance, on November 23, 2012, the FBI intercepted a phone call between Katchaloff and Zaverukha in which they discussed the size of bets being made by a client named "Edik." Katchaloff stated that he had spoken with Edik, who wanted to place larger bets, but Zaverukha was reluctant to take larger bets from Edik. Zaverukha further gave Katchaloff user names and passwords for online gambling accounts, and Katchaloff checked the balances in those accounts while he was on the phone with Zaverukha.

Similarly, on November 29, 2012, Katchaloff had a telephone call with Arthur Azen, who collected debts for the sports gambling business. During the call, Katchaloff and Azen agreed to meet. That same day, the FBI observed Katchaloff meet Azen on the street in Brooklyn in front of a business that was owned by Shteyngrob. During the meeting, Azen handed an envelope to Katchaloff. Later that day, Katchaloff had a phone call with Zaverukha during which he stated that he had “met Arthur,” who “gave me [Katchaloff] 30 rubles,” and that he would “count it at home.” Zaverukha responded, “Could’ve given more, that scoundrel, but okay.” As this call demonstrates, Katchaloff was involved with collecting gambling debts owed to Zaverukha and Druzhinsky.

Further, on December 6, 2012, the FBI intercepted a call between Katchaloff and Zaverukha in which Katchaloff made clear that he had clients who placed bets with the sports book run by Zaverukha. During the call, Katchaloff told Zaverukha that federal agents had visited Shteyngrob (who was referred to as “Tolya” in the call) the day before and had asked Shteyngrob about Katchaloff. Zaverukha was in shock. Katchaloff told Zaverukha to delete all traces of their electronic communications — on Skype, Facebook and on the cell phone. Zaverukha asked Katchaloff about the nature of the questions, and Katchaloff responded that the agents wanted to know if Katchaloff was involved in extortion, specifically in relation to Tolya. Katchaloff said he doubted the agents had anything on him, but Zaverukha nevertheless advised Katchaloff to dump all his “small-timers.” Katchaloff said he doubted that the leak came from any of his clients. Zaverukha asked if “Illyusha” could have been behind this. Katchaloff did not think so. Zaverukha found it surprising that they came to Tolya and not “someone else.” Later, in the call, Zaverukha advised Katchaloff to have someone come by his house and check his phones. Katchaloff said he would speak to a specialist, but that he doubted that it had gotten that far.

In addition to helping operate Druzhinsky’s and Zaverukha’s sports gambling business, Katchaloff was also close to Vadim and Illya Trinchner and spoke to both of the Trinchners regularly. It appears from calls intercepted over both Vadim and Illya Trinchner’s phones that Katchaloff and the Trinchners owed money to each other, presumably for gambling debts. For example, on March 28, 2012, Illya Trinchner called Katchaloff. At the start of the call, Katchaloff told Illya that he was unhappy with “you all,” which appears to have been a reference to the Trinchner family. Illya responded that his father (Vadim) planned to give Katchaloff “a katya” (\$100,000) that Vadim was trying to collect from a man who had unexpectedly been diagnosed with a brain tumor but who had survived surgery. It appears this payment was for a debt that Katchaloff had been trying to collect from Illya Trinchner for some time, as Katchaloff complained later in the call that it “hurt[] [him] so much” that Illya had been “ignoring [his] calls” because Illya “was not a stranger” and because he “loved” Illya.

In another call intercepted on April 17, 2012, Katchaloff asked Illya Trinchner if Illya had money in Los Angeles. Illya responded that he could “get money,” and Katchaloff then said it would be “convenient” if Illya gave “Kosoy one hundred eighty [\$180,000].” Illya said he did not have that much cash but he would try to get it. Katchaloff responded that he was “sick and tired” and complained that Illya did not understand what Katchaloff had to go through.

Katchaloff was likewise intercepted on numerous occasions talking to Vadim Trinchner. For example, on February 3, 2012, Katchaloff was intercepted discussing a debt he

owed Vadim. Katchaloff said, “I need to give you the dough in Kiev.” Vadim responded that he would have “Max,” a man who “works for us,” drop by to pick it up. Likewise, on March 30, 2012, Vadim told Katchaloff that Vadim had a “chip for 20,000” that Vadim wanted Katchaloff to cash. Katchaloff responded that Vadim could get a “katya [\$100,000] in Kiev” “because of Illyukha.”

The Plea and Applicable Guidelines Range

On January 17, 2014, the defendant pled guilty, pursuant to a plea agreement, to Count Seventeen of the Indictment, which charged him with accepting a financial instrument in connection with an illegal internet gambling business, in violation of Title 31, United States Code, Sections 5363 and 5366. (PSR ¶¶ 3, 5).

In its May 12, 2014 Report to the Court, the Probation Department calculated a Guidelines range of zero to six months’ imprisonment. (PSR ¶ 68). The Government agrees with the Probation Department’s Guidelines calculation.

The Appropriate Sentence

Under the factors set forth in 18 U.S.C. § 3553(a), the Government respectfully submits that a sentence within the Guidelines range is appropriate to reflect the serious nature of the offense. The sports gambling business Katchaloff helped operate was significant in scope and, as demonstrated by the amounts transferred to accounts controlled by Druzhinsky, concerned millions of dollars in bets. Katchaloff was less culpable than the owners of the sports book, Druzhinsky and Zaverukha, but his lesser role in the offense is reflected by the minor role adjustment recommended by the Probation Office (see PSR ¶ 28) and agreed to by the parties in the plea agreement. Accordingly, Katchaloff’s participation in the illegal sports gambling business justifies a Guidelines sentence.

Under the factors set forth in 18 U.S.C. § 3553(a), the Government respectfully submits that a sentence within the stipulated Guidelines range is appropriate given the nature and circumstances of the offense and the need for the sentence to promote respect for the law and provide general deterrence for further criminal conduct.

Respectfully submitted,

PREET BHARARA
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cc: Andrew J. Frisch, Esq. (by ECF)